



TCH Holding, LLC • *A Real Estate Advisory & Development Company*

February 11, 2019

Assemblymember Walter T. Mosley
Assembly District 57
55 Hanson Place
Brooklyn, NY 11217

Re: 1024 Fulton Street, Brooklyn, NY 11238

A partnership between TCH Holding, LLC (TCH) and Fort Green Senior Council (FGS) seeks to redevelop a vacant existing building with an adaptive reuse approach to incorporate existing portions of the property with new construction of community facility space and ground floor retail with the potential inclusion of senior housing in the Clinton Hill section of Brooklyn, New York.

We have prepared two potential options:

1. Incorporating a deed restriction modification to enable the development of a 10-story building of 61 units of residential senior housing with a commercial and community facility component

OPTION 1

DEVELOPMENT OUTLINE SENIOR HOUSING

This proposed option is a building featuring mixed-use affordable housing for senior citizens with a total size of 77,252 square feet. The project will include of a partial removal of the existing structure with the option to retain the 12,861 square foot cellar. The first two floors will consist of 12,484 square feet composed of 6,186 square feet of commercial square feet and 6,298 square feet of community facility square feet accessible from street level. The existing historic façade will be preserved. The residential floor area will consist of 51,907 square foot over 10 stories. This residential component will yield sixty apartments with an average size of 550 square feet, as well as one 800 square foot two-bedroom unit for a superintendent. Amenities for residential tenants will include a multipurpose residential lounge, laundry facility, tenant storage, senior services office, property management office, and exercise room. Current plans include eight parking spaces to be provided at the cellar level. To achieve open space, the building will have an open roof deck behind the existing classically designed façade on the third level,

which will surround the residential building. The maximum available space that can be made available to Fort Greene Council will be 12,484 square feet.

The project will target a mix of incomes at 50%, 60% and 80% of area median income to ensure that the project attracts a broad range of senior citizens seeking affordable housing. The project will also set aside 10% of units for seniors with special needs.

REQUIRED TERMS AND CONDITIONS

In our view, certain terms and conditions must be satisfied through a negotiated sale with the State of New York Office of General Services (OGS) in order to effectuate the acquisition of the property:

- A purchase price of \$5.0MM is required to achieve the stated community mission of providing affordable senior citizen housing
- Upon agreement of a viable purchase price, TCH and FGS will provide OGS with the required 10% down payment on a contract of sale
- TCH will obtain the balance of financing to complete the acquisition of the property through debt, equity or submission of financing proposals to state housing finance agencies
- Removal of any existing deed use restrictions and covenants to allow the property's physical and economic maximization is key. To our knowledge, the current deed restriction would prevent the development of the senior housing residential component
- A new deed should be fee-simple with no restrictions or covenants that would prevent TCH from attracting and soliciting the optimal financing sources, including but not limited to construction/permanent lenders, public subsidies and LIHTC investors to the project.

Affordability Analysis

In affordable housing development, "Affordable Units" typically refer to rents that do not exceed 30% of annual household income for families earning no more than 130% Area Median Income (AMI) for the metropolitan area of NYC.

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1024 Fulton Avenue, Brooklyn, NY

Total Apt Units: 61
Total SF: 77251

SOURCES AND USES

Uses	Amount	Cost per Unit	% of Total
Acquisition of Property	\$5,000,000	\$81,967	18%
Construction Costs	\$15,599,019	\$255,722	57%
Soft Costs	\$4,400,304	\$72,792	16%
Development Fee	\$2,450,000	\$40,164	9%
Total	\$27,449,323	\$450,645	100%

Sources	Amount	Cost per Unit	% of Total
Bank Mortgage	\$13,941,882	\$144,262	51%
HDC Second Mortgage	\$3,000,000	\$49,180	11%
NYSERDA Incentive	\$80,000	\$1,311	0%
State LIHTC Equity	\$1,949,805	\$31,964	7%
Federal LIHTC Equity	\$7,637,636	\$125,207	28%
Developer's Fee - Deferred	\$840,000	\$13,770	3%
Total	\$27,449,323	\$365,696	100%

AFFORDABILITY

	50% Affordable	
	Household Income Limit	Rent
150% AMI Income Limit	\$92,480	\$2,238
140% AMI Income Limit	\$86,200	\$2,088
80% AMI Income Limit		
60% AMI Income Limit		
50% AMI Income Limit	\$27,600	\$746
40% AMI Income Limit	\$21,280	\$597
30% AMI Income Limit		

Financing Scenario: 50% Affordability

- This scenario proposes a project with a total development cost estimated at \$27.5MM, financed through a combination of permanent mortgage debt, both state and federal LIHTC equity and deferred developer fee
 - Since the amount of tax credit award is directly proportionate to the percentage of affordable units developed, this scenario allows 50% of residential units earning no more than 80% AMI
2. Incorporating a deed restriction to enable the development of a 5-story non-profit community facility and commercial building including programmatic space, office space, and commercial retail space

DEVELOPMENT OUTLINE COMMERCIAL AND COMMUNITY SPACE

This proposed option is a building featuring extensive community facility space for anchor tenant Fort Greene Council along with a commercial retail component. The project will include a partial removal of the existing structure with the option to retain the 12,861 square foot cellar. The first two floors will total 22,470 square feet of commercial retail space with 12,810 square feet on the first and 9,660 square feet on the second. The existing historic façade will be preserved. The third, fourth, and fifth floors will total 28,980 square feet of community facility space used entirely by Fort Greene Council with 9,660 square feet per floor.

With 28,980 square feet for Fort Greene Council, this option maximizes the space made available for its use.

REQUIRED TERMS AND CONDITIONS

The below outlines the items that require resolution in order to most expeditiously effectuate the sale and consequent development of the property in a manner to maximize the benefit for Fort Greene Council:

- A purchase price of \$5.0MM is required to achieve the mission of maximizing community facility space for Fort Greene Council
- Upon agreement of a viable purchase price, TCH and FGS will provide OGS with the required 10% down payment on a contract of sale
- TCH will obtain the balance of financing to complete the acquisition of the property through debt, equity or public subsidy
- Removal of any existing deed use restrictions and covenants to allow the property's physical and economic maximization is key. To our knowledge, the property carries a deed restriction which restricts and limits use of the property to exclusively "Community Facility Use". Our proposed usage of the building includes a limited retail commercial component which does not fall within the narrow scope of "Community Facility Use". Consequently, we will require modification of this deed restriction to allow for our proposed commercial retail usage
- A new deed should be fee-simple with no restrictions or covenants that would prevent TCH from attracting and soliciting the optimal financing sources, including but not limited to construction/permanent lenders and public subsidies
- Development of the property will involve a substantial financial investment on the part of its developers, as well as on the part of the development's proposed anchor tenant, the Fort Greene Council. Fort Greene Council is an established not-for-profit organization providing services at several stages of the life cycle, at the beginning with early childhood programs, and through the conclusion with

programs for the elderly. In order to offset part of this substantial financial investment for both parties we are seeking the below grants:

- a. State Development Grant
 - i. Capital Grant
 1. We are seeking a Capital Grant from the State Development Grant for the total of **\$12,151,232** which represents the estimated amount needed to develop the community facility component of the development which will be occupied by Fort Greene Council.
 - ii. Interior Fit Out Grant
 1. We are seeking an Interior Fit Out Grant from the State Development Grant for a total of **\$488,775** which represents the estimated amount needed for the interior fit out for the community facility component of the development which will be occupied by Fort Greene Council.
 - b. City Operating Grant
 - i. We are seeking a City Operating Grant for a total of **\$13,721,715** which represents the approximate amount needed to pay for ten years of rent and operating expenses that Fort Greene Council will incur by occupying its proposed developed community facility space at 1024 Fulton
- Please refer to the Fort Greene Council Rent Roll and Operating Expenses found below, and the total development budget found on the following page

Community Facility Rent Roll

Unit	Tenant	Layout	SF	\$PSF	Annual Rent ⁽¹⁾
Building	Fort Greene Senior Council	Office Space (above grade)	25,725	\$45	\$ 1,157,625
Total			25,725		\$ 1,157,625

Community Facility Operating Expenses

Operating Expenses	\$PSF	Total \$
Expenses (includes utilities, repairs and maintenance, and management)	\$8.34	\$ 214,547

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SOURCES	%	PSF \$	Budget \$
Land	20.57%	\$	5,000,000
Construction Financing	70.0844%	\$	17,032,384
Mezzanine Financing	9.3417%	\$	2,270,285
Total Sources	100.00%	\$	24,302,669

DEVELOPMENT BUDGET	%	PSF \$	Budget \$
Land			\$ 5,000,000

Hard Costs

Subtotal Hard Costs		\$ 273	\$ 14,050,000
Contingency	10.00%	\$ 27	\$ 1,405,000
Total Hard Costs		\$ 300	\$ 15,455,000

Soft Costs

Appraisal		\$	10,000
Survey & Borings		\$	25,000
Architect & Engineering		\$	700,000
Environmental Services (Phase 1 & CEQRA)		\$	15,000
Legal		\$	125,000
Permits & Fees		\$	25,000
Expediting		\$	75,000
Controlled Inspections		\$	85,000
Insurance		\$	135,000
Accounting		\$	25,000
Subtotal Soft Costs		\$	1,220,000
Contingency	10.00%	\$	122,000
Total Soft Costs		\$26.08	\$ 1,342,000

Financing and Closing Costs**Mezzanine Financing**

Origination Fee (1.0%)	\$	22,703
Mezzanine Broker Fee (1.0%)	\$	22,703
Misc. Closing Costs	\$	10,000
Interest (11.0% over 24 months)	\$	499,463
Total Mezzanine	\$	554,868

Construction Financing

Bank Origination Fee (1.0%)	\$	170,324
Legal	\$	60,000
Title	\$	51,097
Loan Broker Fee (1.0%)	\$	170,324
Mortgage Recording Tax (2.8%)	\$	476,907
Interest (6.0% over 24 months at 50% AOB)	\$	1,021,943
Total Construction Financing	\$	1,950,595

Total Financing Costs	\$	2,505,463
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Total Development Cost	\$	24,302,463
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Developer Fee	\$	1,158,148
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TCH HOLDING, LLC*Real Estate Advisory & Development Company***ZONING STUDY**

1024 Fulton Street, Bklyn

block 2015

lot 28

zoning R7A w/ C2-4 comm overlay, R6B

Quality Housing

Mandatory Inclusionary Housing

Total Lot Area 12,861.00

Portion of site w/in R7A/C2-4 10,542.00

Portion of site w/in R6B 2,319.00

ZR77-11: entire site can be

R7A Res FAR

	Base	I
R7	3.45	H
A	2.00	4.60

Commercial/CF FAR

	Commercial only	CF Only	Both	
R7A	2.00	4.00	4.00	
R6B	2.00	2.00	2.00	

Commercial FA 25,722.00 permitted

Community Fac FA 51,444.00 permitted

Residential FA w/o IH

R7A	44,370.45
total	44,370.45

Residential FA w/ IH

R7A	59,160.60
Total	59,160.60

Heights and Setbacks

	Max/min base	bldg ht
R7A	40/75ft	90ft
w/ qualifying ground floor		
R7A	95ft/9 stories	